



FITCH PLACES FRONTIER COMMUNICATIONS ON RATING WATCH POSITIVE

Fitch Ratings-Chicago-13 May 2009: Fitch Ratings has placed Frontier Communications Corporation's (Frontier) (NYSE: FTR) Issuer Default Rating (IDR) of 'BB' and its securities on Rating Watch Positive owing to its proposed transaction with Verizon Communications Inc. (Verizon) (NYSE: VZ).

In the transaction, Verizon will spin-off local exchange assets in 14 states, consisting of approximately 4.8 million access lines, into a separate company which will then merge with Frontier in a tax-free transaction to create a large local exchange company. The company to be merged into Frontier will be moderately levered, and post-merger Frontier is expected to be less levered than currently. As a result, Frontier's 'BB' IDR and other ratings have been placed on Rating Watch Positive.

The transaction values the company that will be merged into Frontier (Spinco) at approximately \$8.6 billion, consisting of approximately \$5.3 billion in equity and \$3.3 billion of debt. Verizon shareholders will receive \$5.3 billion in Frontier equity in the merger, and there is a share price collar of \$7.00 to \$8.50 on Frontier's common stock price. The transaction is subject to customary regulatory approvals, the approval of Frontier's shareholders, and the obtaining of financing.

Fitch will evaluate Frontier's prospective financial performance as well as its anticipated capital structure in determining Frontier's ratings. Fitch believes there is execution risk regarding Frontier's integration of the former Verizon operations into its own. Fitch believes the execution risk is offset to some extent by Frontier's significant experience in integrating large transactions and the scalability of its existing systems. Fitch will evaluate Frontier's capability to mitigate such risks.

Fitch places the following ratings on Rating Watch Positive:

Frontier Communications Corporation:

- IDR 'BB';
- Senior unsecured \$250 million credit facility due May 18, 2012 'BB';
- Senior unsecured \$148.5 million senior unsecured term loan due Dec. 31, 2012;
- Senior unsecured notes and debentures 'BB'.

Industrial development revenue bonds (IDRBs) 'BB' as follows:

- Maricopa County Industrial Development Authority (AZ) IDRB series 1995.

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